

# 1997 Enterprise Zone Credit

## General Instructions

Obtain additional information or assistance, tax forms and instructions, and copies of tax rulings and tax procedures by contacting one of the numbers listed below:

Phoenix ..... (602) 255-3381  
 Other Arizona areas ..... (800) 352-4090  
 Form Orders ..... (602) 542-4260  
 Forms by Fax ..... (602) 542-3756  
 Recorded Tax Information  
     Phoenix ..... (602) 542-1991  
     Other Arizona areas .. (800) 845-8192  
 Hearing impaired TDD user  
     Phoenix ..... (602) 542-4021  
     Other Arizona areas .. (800) 397-0256

Obtain tax rulings, tax procedures, tax forms and instructions, and other tax information by accessing the department's Internet home page at:  
**<http://www.revenue.state.az.us>**

If you have questions about where enterprise zones are located, contact the Arizona Department of Commerce Enterprise Zones Administrator at (602) 280-1341.

There are major changes to the enterprise zone tax credit provisions effective for taxable years beginning from and after December 31, 1995. The revised credit is for net increases in qualified employment positions, except those positions at a business location where tangible personal property is sold at retail. Effective for taxable years beginning from and after December 31, 1996, taxpayers that claimed the credits for qualified employees and dislocated workers in prior taxable years may claim the credit for third year employees under those provisions. The following chart highlights the revised enterprise zone credit provisions.

Highlights of Enterprise Zone Credit for Taxable Years Beginning From and After December 31, 1996	
Enterprise Zone Credits for Qualified Employees and Dislocated Workers	Enterprise Zone Credit for Qualified Employment Positions
<ul style="list-style-type: none"> <li>• Credit allowed only for previously qualified employees and previously dislocated workers in third year of continuous employment hired during a taxable year beginning prior to January 1, 1996.</li> <li>• Maximum allowable credit per previously qualified employee and previously dislocated worker is \$2,500 for third year.</li> <li>• Credit carryover allowed (maximum of 5 taxable years) during life of enterprise zone program unless business relocates outside of enterprise zone or the zone is terminated.</li> </ul>	<ul style="list-style-type: none"> <li>• Credit allowed for net increases in qualified employment positions. EXCEPTION: No credit allowed for qualified employment positions at a business location where tangible personal property is sold at retail.</li> <li>• Employees in qualified employment positions must be Arizona residents.</li> <li>• Maximum allowable credit per qualified employment position is \$500 for first year, \$1,000 for second year, and \$1,500 for third year.</li> <li>• Credit carryover allowed (maximum of 5 taxable years) during life of enterprise zone program unless business relocates outside of enterprise zone or the zone is terminated.</li> <li>• Business must be located in an enterprise zone prior to July 1, 1998, to be eligible for credit.</li> <li>• Thirty-five percent of employees in qualified employment positions for which the first year credit is claimed must be residents of an enterprise zone within the county in which the business is located.</li> </ul>
How to Claim These Credits:	How to Claim This Credit:
Complete Parts I through VI and Part XIV of Arizona Form 304 and Arizona Forms 304-1 and 304-2.	Complete Parts VII through XIV of Arizona Form 304 and Arizona Forms 304-3 and 304-4.

**NOTE:** Taxpayers filing amended returns to claim the enterprise zone credit for prior taxable years must use the Arizona Form 304 for those taxable years.

## Line-by-Line Instructions

Enter the taxpayer name and federal employer identification number or social security number as shown on the tax return. Fiscal year basis taxpayers must indicate the period covered by the taxable year. Attach the completed forms to the tax return.

All returns, statements, and other documents filed with the Department of Revenue require a taxpayer identification number (TIN). The TIN is either a correct social security number or, for a business, the federal employer identification number. Paid tax preparers must also include their TIN on forms where requested. Taxpayers and paid preparers who fail to include the proper TIN may be subject to a penalty. Please check the return to be sure that all required identification numbers are accurate and written clearly. Missing, incorrect, or unclear identification numbers may cause delays in processing the returns.

## Enterprise Zone Credits for Qualified Employees and Dislocated Workers

**NOTE:** A taxpayer participating in the enterprise zone credit program must certify certain information to the Arizona Department of Commerce. Contact the Arizona Department of Commerce Enterprise Zones Administrator at (602) 280-1341 regarding certification requirements or to obtain certification forms or copies of enterprise zone program guidelines.

Taxpayers claiming only the enterprise zone credits for qualified employees and dislocated workers, complete Parts I through VI and Part XIV of Arizona Form 304, and Arizona Forms 304-1 and 304-2.

Effective for taxable years beginning from and after December 31, 1996, taxpayers may only claim the tax credits for previously qualified employees and previously dislocated workers in the third year of continuous employment if the taxpayer claimed the second year credit for such employees for a taxable year beginning prior to January 1, 1997.

There are two separate credits, the credit for net increases in employment of qualified employees and the credit for net increases in employment of dislocated workers. The eligibility requirements and the limitations apply separately to the credits. Therefore, the credits must be computed separately by the taxpayer.

The enterprise zone credits for qualified employees and dislocated workers are equal to one-half of the taxable wages paid to each previously qualified employee and to each previously dislocated worker, not to exceed \$2,500 per net new employee, in the third year of continuous employment.

If the allowable enterprise zone credit exceeds the taxpayer's income tax liability, the taxpayer may carry over any unused amount for up to five taxable years, providing the business remains in the enterprise zone. However, if the business relocates outside of the enterprise zone or the enterprise zone is terminated, the carryover of the tax credit is lost.

## Part I - Business Information

### Lines 1 through 3 -

On lines 1, 2 and 3, enter the name, address, Arizona withholding number, and federal employer identification number of the business which is at a site located in an enterprise zone.

On line 2, enter the address of the business' actual location in the enterprise zone, not the business' mailing address.

**NOTE:** Complete a separate Arizona Form 304 for each business location in an enterprise zone for which a tax credit is being claimed. If a business has more than one business location in a designated enterprise zone, it must complete a separate Arizona Form 304 for each location within that zone. If a business has more than one business location in Arizona and the business locations are in different enterprise zones, it must complete separate Arizona Forms 304 for each business location in each enterprise zone.

## Part II - Credit Calculation for Qualified Employees

### Line 4 and Arizona Form 304-1

**Important:** Before completing line 4, Part II of Arizona Form 304, complete the Arizona Form 304-1 listing each previously qualified employee for whom a credit is being claimed.

### NOTE FOR PARTNERSHIPS:

Complete this section and attach a statement which lists the name of each partner, the partner's social security number or federal employer identification number, percentage of ownership, and the amount of credit passed through to the partner. The partnership must provide this information to each partner. Each partner must attach a copy of the statement provided by the partnership to the partner's Arizona tax return.

The enterprise zone credit is allowed for taxable years and, therefore, is computed on a taxable year basis and not on an employment year basis. Each taxable year is an employment year for purposes of the credit, regardless of when the employee's anniversary date occurs within the employer's taxable year. Refer to Arizona Corporate Tax Procedure CTP 95-1 for guidance on the calculation of the enterprise zone credit for a taxable year, including short period income tax returns filed due to a change in ownership.

**Line 4 - Column (a)**

Enter the total number of previously qualified employees in the third year of continuous employment from Arizona Form 304-1, line 25, column (c). The number shown on line 4, column (a), is the total number of qualified employees for which the enterprise zone credit is being claimed.

Arizona's statutes do not require that the employee who is claimed in the third year of continuous employment be the same employee who was claimed in the second year of employment. Therefore, if one of the originally claimed net new employees leaves employment in year three, the business can claim the third year credit for another previously qualified employee who is in the third year of continuous employment.

**Line 4 - Column (b)**

Enter the maximum allowable wages for all previously qualified employees in the third year of continuous employment from Arizona Form 304-1, line 25, column (e).

**Line 4 - Column (d)**

Multiply the amount shown on line 4, column (b), by the percent shown on line 4, column (c). Enter the result on line 4, column (d). This is the allowable credit for previously qualified employees in the third year of continuous employment. The amount shown on line 4, column (d), is the total allowable enterprise zone credit for qualified employees in the current taxable year.

### **Part III - Credit Calculation for Dislocated Workers**

**Line 5 and Arizona Form 304-2**

**Important:** Before completing line 5, Part III of Arizona Form 304, complete the Arizona Form 304-2 listing each previously dislocated worker for whom a credit is being claimed.

**NOTE FOR PARTNERSHIPS:**

*Complete this section and attach a statement which lists the name of each partner, the partner's social security number or federal employer identification number, percentage of ownership, and the amount of credit passed through to the partner. The partnership must provide this information to each partner. Each partner must attach a copy of the statement provided by the partnership to the partner's Arizona tax return.*

The enterprise zone credit is allowed for taxable years and, therefore, is computed on a taxable year basis and not on an employment year basis. Each taxable year is an employment year for purposes of the credit, regardless of when the employee's anniversary date occurs within the employer's taxable year. Refer to Arizona Corporate Tax Procedure CTP 95-1 for guidance on the calculation of the enterprise zone credit for a taxable year, including short period income tax returns filed due to a change in ownership.

**Line 5 - Column (a)**

Enter the total number of previously dislocated workers in the third year of continuous employment from Arizona Form 304-2, line 25, column (c). The number shown on line 5, column (a), is the total number of dislocated workers for which the enterprise zone credit is being claimed.

Arizona's statutes do not require that the employee who is claimed in the third year of continuous employment be the same employee who was claimed in the second year of employment. Therefore, if one of the originally claimed net new dislocated workers leaves employment in year three, the business can claim the third year credit for another previously dislocated worker who is in the third year of continuous employment.

**Line 5 - Column (b)**

Enter the maximum allowable wages for all previously dislocated workers in the third year of continuous

employment from Arizona Form 304-2, line 25, column (e).

**Line 5 - Column (d)**

Multiply the amount shown on line 5, column (b) by the percentage shown on line 5, column (c). Enter the result on line 5, column (d). This is the allowable credit for previously dislocated workers in the third year of continuous employment. The amount shown on line 5, column (d), is the total allowable enterprise zone credit for dislocated workers for the current taxable year.

### **Part IV - Available Carryover**

The business should complete Part IV only if its allowable enterprise zone tax credit for prior taxable years exceeded its Arizona income tax liability for those taxable years.

**NOTE:** *The business is allowed to carry forward the amount of the unused enterprise zone credit, for a period not to exceed five taxable years, provided the business remains in the enterprise zone. However, if the business relocates outside of the enterprise zone or the enterprise zone is terminated, the carryover of the tax credit is lost.*

Partners of a partnership or shareholders of an S corporation should complete Part IV only if their allowable enterprise zone tax credit for prior taxable years exceeded their Arizona income tax liability for those taxable years.

**Line 6 -**

Enter the applicable taxable year(s) in columns (a) through (e).

**Line 7 -**

In columns (a) through (e), enter the amount of the original tax credit earned for that taxable year.

**Line 8 -**

In columns (a) through (e), enter the amount of the tax credit for that taxable year which has been previously used.

**Line 9 -**

In columns (a) through (e), subtract the amount on line 8 from the amount on line 7. Enter the result in the applicable columns on line 9. This is the tentative carryover.

**Line 10 -**

In columns (a) through (e), enter the amount of the credit which is unallowable because the business is no longer located in the enterprise zone or the enterprise zone has been terminated.

**Line 11 -**

In columns (a) through (e), subtract the amount on line 10 from the amount on line 9. Enter the result in the applicable columns on line 11. This is the carryover available from prior taxable years.

**Line 12 -**

Add the amounts in columns (a) through (e) on line 11. Enter the total in column (f) on line 12. This is the total enterprise zone credit carryover available for the 1997 taxable year.

In order for a partner of a partnership or a shareholder of an S corporation to be eligible for an enterprise zone credit carryover, the business must remain in the enterprise zone. Therefore, a partnership or an S corporation that passed the credit through to its partners or shareholders must furnish each partner or shareholder with a statement indicating that the business is still located in the enterprise zone.

Each partner or S corporation shareholder must complete Part IV for the computation of the available carryover of the credit passed through by the partnership or S corporation.

**Part V -****Total Available Credit for Qualified Employees and Dislocated Workers****Lines 13 through 16 -**

**NOTE FOR PARTNERSHIPS:** *The partnership must complete Parts I through III of the Arizona Form 304 and provide a copy of the completed Arizona Form 304 to each partner. Each partner must complete Part V for the application of the credit passed through by the partnership.*

**NOTE FOR S CORPORATION SHAREHOLDERS:** *Each shareholder must complete Part V for the application of the credit passed through by the S corporation (see Part VI).*

**Line 13 -**

Enter the amount from Part II, line 4, column (d). This is the current year's credit for qualified employees.

**Important:** If the business is claiming the enterprise zone credit for more than one business location, the business should attach a separate schedule which details the use of the credit by location. If the business is claiming an enterprise zone credit for qualified employees for more than one business location, enter the aggregate credit amounts on line 13.

**NOTE FOR S CORPORATIONS:** *If the S corporation has elected to pass the enterprise zone credit through to its shareholders (refer to Part VI), enter zero.*

**Line 14 -**

Enter the amount from Part III, line 5, column (d). This is the current year's credit for dislocated workers.

**Important:** If the business is claiming the enterprise zone credit for more than one business location, the business should attach a separate schedule which details the use of the credit by location. If the business is claiming an enterprise zone credit for dislocated workers for more than one business location, enter the aggregate credit amounts on line 14.

**NOTE FOR S CORPORATIONS:**

*If the S corporation has elected to pass the enterprise zone credit through to its shareholders (refer to Part VI), enter zero.*

**Line 15 -**

Enter the amount from Part IV, line 12, column (f). This is the total available carryover.

**Important:** If the business is claiming an enterprise zone credit carryover for more than one business location, the business should attach a separate schedule which details the use of the credit carryover by location. If the business is claiming an enterprise zone credit carryover for more than one business location, enter the aggregate credit carryover amounts on line 15.

**Line 16 -**

Add lines 13, 14, and 15. This is the total available enterprise zone credit for qualified employees and dislocated workers. Enter the total here and on Part XIV, line 43.

**Part VI -****Special Note for S Corporations**

This portion of the Arizona Form 304 must be completed by the S corporation in order for the S corporation or its shareholders to claim the enterprise zone credit for qualified employees and dislocated workers. The S corporation must make an irrevocable election either to claim the credit itself or to pass the credit through to its shareholders. The election statement must be signed by one of the officers of the S corporation who is also a signatory to the Arizona Form 120S.

If the S corporation elects to pass the credit through to its shareholders, it must also attach a statement which lists: the name of each shareholder; the shareholder's social security number or federal employer identification number; percentage of ownership; and amount of credit passed through to the shareholder. The S corporation must provide this information to each shareholder. Each shareholder must attach a copy of the

statement provided by the S corporation to the shareholder's Arizona tax return.

**NOTE:** *The S corporation must make the same election for the enterprise zone credits for qualified employees and dislocated workers in Part VI as it makes in Part XIII for the enterprise zone credit for qualified employment positions. If the S corporation elects to claim the credits for qualified employees and dislocated workers in Part VI, it must also elect to claim the credit for qualified employment positions in Part XIII.*

## Enterprise Zone Credit for Qualified Employment Positions

**NOTE:** *A taxpayer participating in the enterprise zone credit program must certify certain information to the Arizona Department of Commerce. Contact the Arizona Department of Commerce Enterprise Zones Administrator at (602) 280-1341 regarding certification requirements or to obtain certification forms or copies of enterprise zone program guidelines.*

Taxpayers claiming only the enterprise zone credit for qualified employment positions complete Parts VII through XIV of Arizona Form 304 and Arizona Forms 304-3 and 304-4.

A business must be located within an enterprise zone prior to July 1, 1998, in order to be eligible for the enterprise zone credit for qualified employment positions. A business located within a zone by June 30, 1998, may qualify for the tax credit at any time during the life of the enterprise zone program. If a business is not located within an enterprise zone by June 30, 1998, it is not eligible for the enterprise zone tax credit for qualified employment positions.

Thirty-five percent of the employees in a qualified employment position for which the first year credit is claimed must be residents of an enterprise zone within the county in which the business is located on the date of hire. The employees in the new qualified

employment positions must have been hired for taxable years beginning from and after December 31, 1995.

The enterprise zone credit for qualified employment positions is equal to:

1. One-fourth of the taxable wages paid to an employee in a qualified employment position, not to exceed \$500 per qualified employment position, in the first year or partial year of employment.
2. One-third of the taxable wages paid to an employee in a qualified employment position, not to exceed \$1,000 per qualified employment position, in the second year of continuous employment.
3. One-half of the taxable wages paid to an employee in a qualified employment position, not to exceed \$1,500 per qualified employment position, in the third year of continuous employment.

If the allowable enterprise zone credit exceeds the taxpayer's income tax liability, the taxpayer may carry over any unused amount for up to five taxable years, providing the business remains in the enterprise zone. However, if the business relocates outside of the enterprise zone or the enterprise zone is terminated, the carryover of the tax credit is lost.

## Part VII - Business Information

### Lines 17 through 19 -

On lines 17, 18, and 19, enter the name, address, Arizona withholding number, and federal employer identification number of the business which is at a site located in an enterprise zone.

On line 18, enter the address of the business' actual location in the enterprise zone, not the business' mailing address.

### Line 20 - Sales of Tangible Personal Property at Retail

Answer the question on line 20. If the answer to this question is yes, the business is not eligible for an enterprise

zone credit for any of its qualified employment positions (Part X, lines 29 through 32 of Arizona Form 304). The business is not eligible for the credit if the business sells tangible personal property at retail at the business location in the enterprise zone. A retail sale of tangible personal property is a sale of tangible personal property to the ultimate consumer.

**NOTE:** *Complete a separate Arizona Form 304 for each business location in an enterprise zone for which a tax credit is being claimed. If a business has more than one business location in a designated enterprise zone, it must complete a separate Arizona Form 304 for each location within that zone. If a business has more than one business location in Arizona and the business locations are in different enterprise zones, it must complete separate Arizona Forms 304 for each business location in each enterprise zone.*

## Part VIII - Net Increase in Qualified Employment Positions

The enterprise zone credit is based on net increases in qualified employment positions by a business located in an enterprise zone. The net increase in the number of qualified employment positions is determined by comparing the average full time employment during the current taxable year with the average full time employment during the immediately preceding taxable year. The net increase in qualified employment positions calculation includes all full time employees. It is not limited to full time employees in qualified employment positions. Full time employment means the position must be a minimum of 1,750 hours per year of regularly scheduled work hours. Do not include overtime hours in the minimum requirement computation.

### Lines 21 and 22 -

On line 21, enter the average full time employment during the current taxable year. A new full time employee is a newly hired employee who was not employed by the employer within the preceding 12 months. Include new full

time employees who were employed for at least 90 days during the taxable year. **EXCEPTION:** Count a full time employee hired during the last 90 days of the taxable year as a new employee during the next taxable year.

On line 22, enter the average full time employment during the immediately preceding taxable year. A newly established business in an enterprise zone would not have any full time employment within the zone during the immediately preceding taxable year. Such a business would have zero average full time employment during the immediately preceding taxable year. Therefore, such a business would enter zero on line 22 of the Arizona Form 304.

An established business already located in an area which subsequently becomes

a designated enterprise zone would have full time employment at this location during the immediately preceding taxable year. This employer would calculate the average full time employment of the immediately preceding taxable year according to the worksheet below. Line 15 of the worksheet's immediately preceding taxable year column is the amount which is entered on line 22 of the Arizona Form 304.

Complete the worksheet below to determine the average full time employment.

On lines 1 through 12 below, enter the number of full time employees employed at the end of each month by the business located in the enterprise zone.

**Average Full Time Employment Worksheet**

	Line 21 Column - Current Taxable Year	Line 22 Column - Immediately Preceding Taxable Year
1. January		
2. February		
3. March		
4. April		
5. May		
6. June		
7. July		
8. August		
9. September		
10. October		
11. November		
12. December		
13. Total - <i>add lines 1 through 12.</i>		
14. Total number of months during the taxable year in which the employer was in business		
15. Average - <i>Divide the amount on line 13 by the amount total on line 14. Do not round the quotient.</i>		

**Line 23 - Net Increase in Qualified Employment Positions**

Subtract the amount on line 22 from the amount on line 21. If this amount is less than one, enter zero. If this amount contains a decimal, round down to the next whole number. This is the net increase in qualified employment positions for the current taxable year.

**NOTE:** *If the amount shown on line 23 is zero, the business may not claim an enterprise zone credit for qualified employment positions created during the current taxable year.*

**Part IX - Maximum Number of Qualified Employment Positions**

**Line 24 -**

Enter the total number of qualified employment positions created during the taxable year. A newly created position is a qualified employment position on the date that it meets all of the requirements for a qualified employment position.

A qualified employment position must meet **all** of the following requirements:

1. The position must be a minimum of 1,750 hours per year of full time employment. Do not include overtime hours in the minimum requirement computation.
2. The position must include health insurance coverage for the employee for which the employer pays at least 50 percent of the premium or membership cost.
3. The compensation paid by the employer for this position must at least equal the wage offer by county for a particular taxable year as computed annually by the Department of Economic Security Research Administration Division.

**NOTE:** *Contact the Arizona Department of Commerce Enterprise Zones Administrator at (602) 280-1341 regarding the wage offer by county for a particular taxable year as computed annually by the Department of Economic Security Research Administration Division.*

**Line 25 -**

Enter the net increase in qualified employment positions from Part VIII, line 23.

**Line 26 -**

Enter the smaller of line 24 or line 25. This is the maximum number of new qualified employment positions for which the business may claim a credit before application of the 35 percent enterprise zone residency requirement.

**Application of 35 Percent Enterprise Zone Residency Requirement**

Thirty-five percent of the new employees in qualified employment positions for which the first year credit is claimed must be enterprise zone residents. The employees in these positions must be residents of an enterprise zone within the county in which the business is located on the date of hire during the taxable year.

**Line 27a -**

Enter the number of new employees in qualified employment positions that are enterprise zone residents.

**Line 27b -**

Divide the amount on line 27a by 35 percent (.35). Enter the quotient. If this amount contains a decimal, round down to the next whole number.

**Line 27c -**

Enter the smaller of line 26 or line 27b. This is the maximum number of qualified employment positions for which the credit may be claimed after application of the enterprise zone residency requirement.

**NOTE:** Complete the Arizona Form 304-4 listing each qualified employment position for which the credit is being claimed only after completing Part IX and Part X, line 28, of Arizona Form 304. The maximum number of qualified employment positions entered on line 29, column (a), cannot exceed the number of qualified employment positions entered on Part IX, line 27c.

**Part X - Credit Calculation for Qualified Employment Positions**

The enterprise zone credit for qualified employment positions is a new credit that applies only to taxable years beginning from and after December 31, 1995. The business may claim the first year credit only for employees in new qualified employment positions who were hired in taxable years beginning from and after December 31, 1995.

The taxpayer may claim the first, second, and third year credits for a qualified employment position only if the position continues to meet all of the requirements for a qualified employment position. The compensation paid by the employer for the position must at least equal the wage offer by the county published for a particular taxable year beginning on the first day of the employer's taxable year to maintain eligibility for the second and third year credits.

**Line 28 - Arizona Residency**

Answer the question on line 28. If the answer to this question is no, the business is not eligible for an enterprise zone credit for its qualified employment positions (lines 29 through 32) filled by employees who are not Arizona residents.

In order to claim the credit for qualified employment positions, each employee in a qualified employment position for which the credit is claimed must be a resident of Arizona. The residency requirement applies to the first, second, and third year credits. Refer to Arizona Individual Income Tax Procedure ITP 92-1 for information on determining Arizona residency.

**Lines 29 through 32 and Arizona Forms 304-3 and 304-4**

Before completing lines 29 through 32, Part X of Arizona Form 304, complete Arizona Forms 304-3 and 304-4. Complete Arizona Form 304-3 listing each employee in the first year of employment. Complete the Arizona Form 304-4 listing each employee in a qualified employment position for

which a credit is being claimed. The maximum number of first year employees in qualified employment positions entered on Arizona Form 304-4 cannot exceed the maximum number of qualified employment positions entered on Part IX, line 27c. All employees listed on the Arizona Form 304-4 must be Arizona residents. Requirements for listing an employee in a qualified employment position for which the business is claiming the first year credit are: (1) the employee was hired at least 90 days prior to the end of the taxable year; and (2) wages entered in column (e1) are wages paid to the employee for the period of time during which the position met all of the requirements for a qualified employment position, up to a maximum of \$2,000.

**NOTE FOR PARTNERSHIPS:**

Complete this section and attach a statement which lists the name of each partner, the partner's social security number or federal employer identification number, percentage of ownership, and the amount of credit passed through to the partner. The partnership must provide this information to each partner. Each partner must attach a copy of the statement provided by the partnership to the partner's Arizona tax return.

**Line 29 - Column (a)**

Enter the number of new employees in qualified employment positions from Arizona Form 304-4, line 13, column (c1).

**NOTE:** The maximum number of qualified employment positions entered on line 29, column (a), cannot exceed the number of qualified employment positions entered on Part IX, line 27c.

**Line 29 - Column (b)**

Enter the maximum allowable wages for all first year employees in qualified employment positions from Arizona Form 304-4, line 13, column (e1).

**Line 29 - Column (d)**

Multiply the amount entered on line 29, column (b), by the percent shown on line 29, column (c). Enter the result on line 29, column (d). This is the allowable credit for new qualified employment positions.

**Line 30 - Column (a)**

Enter the total number of employees in qualified employment positions in the second year of continuous employment from Arizona Form 304-4, line 13, column (c2).

Arizona's statutes do not require that the employee who is claimed in the second year of continuous employment be the same employee who was claimed in the first year of employment. Therefore, if one of the originally claimed new employees leaves employment in year two, the business can claim the second year credit for another employee in a qualified employment position who is in the second year of continuous employment.

**Line 30 - Column (b)**

Enter the maximum allowable wages for all employees in qualified employment positions in the second year of continuous employment, from Arizona Form 304-4, line 13, column (e2).

**Line 30 - Column (d)**

Multiply the amount shown on line 30, column (b), by the percent shown on line 30, column (c). Enter the result on line 30, column (d). This is the allowable credit for employees in qualified employment positions in their second year of continuous employment.

**Line 31 - Column (a)**

Enter the total number of employees in qualified employment positions in the third year of continuous employment from Arizona Form 304-4, line 13, column (c3).

Arizona's statutes do not require that the employee who is claimed in the third year of continuous employment be the same employee who was claimed in the second year of employment.

Therefore, if one of the originally claimed new employees leaves employment in year three, the business can claim the third year credit for another employee in a qualified employment position who is in the third year of continuous employment.

**Line 31 - Column (b)**

Enter the maximum allowable wages for all employees in qualified employment positions in the third year of continuous employment from Arizona Form 304-4, line 13, column (e3).

**Line 31 - Column (d)**

Multiply the amount shown on line 31, column (b), by the percent shown on line 31, column (c). Enter the result on line 31, column (d). This is the allowable credit for employees in qualified employment positions in their third year of continuous employment.

**Line 32 -**

Add the numbers in column (a) on lines 29, 30, and 31. Enter the total in column (a) on line 32. Add the amounts in column (d) on lines 29, 30, and 31. Enter the total in column (d) on line 32. The number shown on line 32, column (a), is the total number of employees in qualified employment positions for which the enterprise zone credit is being claimed. The amount shown on line 32, column (d), is the total allowable enterprise zone credit for qualified employment positions for the current taxable year.

**Part XI - Available Carryover**

The business should complete Part XI only if its allowable enterprise zone tax credit for qualified employment positions for prior taxable years exceeded its Arizona income tax liability for those taxable years. This credit applies only to taxable years beginning from and after December 31, 1995. Since the enterprise zone credit for qualified employment positions is a new credit, there is no available carryover of this credit from taxable years beginning prior to January 1, 1996.

**NOTE:** *The business is allowed to carry forward the amount of the unused enterprise zone credit, for a period not to exceed five taxable years, provided the business remains in the enterprise zone. However, if the business relocates outside of the enterprise zone or the enterprise zone is terminated, the carryover of the tax credit is lost.*

Partners of a partnership or shareholders of an S corporation should complete Part XI only if their allowable enterprise zone tax credit for prior taxable years exceeded their Arizona income tax liability for those taxable years. Since the enterprise zone credit for qualified employment positions is a new credit, there is no available carryover of this credit from taxable years beginning prior to January 1, 1996.

**Line 33 -**

Enter the applicable taxable year(s) in columns (a) through (e).

**Line 34 -**

In columns (a) through (e), enter the amount of the original tax credit earned for that taxable year.

**Line 35 -**

In columns (a) through (e), enter the amount of the tax credit for that taxable year which has been previously used.

**Line 36 -**

In columns (a) through (e), subtract the amount on line 35 from the amount on line 34. Enter the result in the applicable columns on line 36. This is the tentative carryover.

**Line 37 -**

In columns (a) through (e), enter the amount of the credit which is unallowable because the business is no longer located in the enterprise zone or the enterprise zone has been terminated.

**Line 38 -**

In columns (a) through (e), subtract the amount on line 37 from the amount on line 36. Enter the result in the



applicable columns on line 38. This is the carryover available from prior taxable years.

### Line 39 -

Add the amounts in columns (a) through (e) on line 38. Enter the total in column (f) on line 39. This is the total enterprise zone credit carryover for qualified employment positions available for the current taxable year.

In order for a partner of a partnership or a shareholder of an S corporation to be eligible for an enterprise zone credit carryover, the business must remain in the enterprise zone. Therefore, a partnership or an S corporation that passed the credit through to its partners or shareholders must furnish each partner or shareholder with a statement indicating that the business is still located in the enterprise zone.

Each partner or S corporation shareholder must complete Part XI for the computation of the available carryover of the credit passed through by the partnership or S corporation.

## Part XII - Total Available Credit for Qualified Employment Positions

### Lines 40 through 42 -

**NOTE FOR PARTNERSHIPS:** The partnership must complete Parts VII through X of the Arizona Form 304 and provide a copy of the completed Arizona Form 304 to each partner. Each partner must complete Part XII for the application of the credit passed through by the partnership.

**NOTE FOR S CORPORATION SHAREHOLDERS:** Each shareholder must complete Part XII for the application of the credit passed through by the S corporation (see Part XIII).

### Line 40 -

Enter the amount from Part X, line 32, column (d). This is the current year's credit for qualified employment positions.

**Important:** If the business is claiming the enterprise zone credit for more than one business location, the business should attach a separate schedule which details the use of the credit by location. If the business is claiming an enterprise zone credit for qualified employment positions for more than one business location, enter the aggregate credit amounts on line 40.

### NOTE FOR S CORPORATIONS:

*If the S corporation has elected to pass the enterprise zone credit for qualified employment positions through to its shareholders (refer to Part XIII), enter zero.*

### Line 41 -

Enter the amount from Part XI, line 39, column (f). This is the total available carryover for qualified employment positions.

**Important:** If the business is claiming an enterprise zone credit carryover for more than one business location, the business should attach a separate schedule which details the use of the credit carryover by location. If the business is claiming an enterprise zone credit carryover for more than one business location, enter the aggregate credit carryover amounts on line 41.

### Line 42 -

Add lines 40 and 41. This is the total available enterprise zone credit for qualified employment positions.

## Part XIII - Special Note for S Corporations

This portion of the Arizona Form 304 must be completed by the S corporation in order for the S corporation or its shareholders to claim the enterprise zone credit for qualified employment positions. The S corporation must make an irrevocable election either to claim the credit itself or to pass the credit through to its shareholders. The election statement must be signed by one of the officers of the S corporation who is also a signatory to the Arizona Form 120S.

If the S corporation elects to pass the credit through to its shareholders, it must also attach a statement which lists: the name of each shareholder; the shareholder's social security number or federal employer identification number; percentage of ownership; and amount of credit passed through to the shareholder. The S corporation must provide this information to each shareholder. Each shareholder must attach a copy of the statement provided by the S corporation to the shareholder's Arizona tax return.

**NOTE:** The S corporation must make the same election for the enterprise zone credits for qualified employees and dislocated workers in Part VI as it makes in Part XIII for the enterprise zone credit for qualified employment positions. If the S corporation elects to claim the credits for qualified employees and dislocated workers in Part VI, it must also elect to claim the credit for qualified employment positions in Part XIII.

## Part XIV - Total Available Credit for Qualified Employees, Dislocated Workers, and Qualified Employment Positions

### Line 43 -

Enter the total available credit for qualified employees and dislocated workers from Part V, line 16.

### Line 44 -

Enter the total available credit for qualified employment positions from Part XII, line 42.

### Line 45 -

Add lines 43 and 44. This is the total available enterprise zone credit for qualified employees, dislocated workers, and qualified employment positions which may be applied to the current year's tax liability. Enter the total here and on Arizona Form 300, Part I, line 2, or on Arizona Form 301, Part I, line 2.